Better Marketing

Division of Marketing and Marketing Agreements

· · AGRICULTURAL · ADJUSTMENT · ADMINISTRATION · ·

Vol. 1 WASHINGTON, MAY 2, 1936 NO. 3

STATE AND FEDERAL GOVERNMENTS COOPERATE IN RELIEF DISTRIBUTION OF FARM SURPLUSES

Approximately 2 billion pounds of foodstuffs, representing price depressing surpluses of farm products, have been distributed by the Federal Government through noncommercial channels for relief use during the last 2½ years.

It was for the purpose of carrying on this distribution that the Federal Surplus Relief Corporation, and its successor—the Federal Surplus Commodities Corporation—were organized. This Corporation now receives commodities chiefly from purchases made by the Commodities Purchase Section of the Agricultural Adjustment Administration with funds authorized under section 32 of the amendments of the Agricultural Adjustment Act approved last August and with special funds authorized for purchases of dairy products. The Commodities Purchase Section acts as the Procurement Division of the Corporation.

Governing Principles

Distribution, made direct to the States, is governed by two principles:

First, that States make commodities available only to those persons certified as eligible to receive them by the State relief agency. This agency can certify as eligible only those persons depending entirely or in part on State, county, or municipal relief for subsistence, Works Progress Administration workers with families too large to support on a security wage, persons in care of the Resettlement Administration, and persons under the care of certain State institutions.

Second, all surplus commodities must be given on an over-and-above basis, that is, they must be given in addition to the aid the person is already receiving. Every care is taken to make sure that the issuance of surplus commodities in no way interferes with the purchases that would otherwise be made.

When it becomes apparent that there is, or will be, a surplus of a given agricultural commodity, the procurement division of the Corporation notifies the distribution division as to where the surplus is located and how much should be bought to relieve the situation. The Distribution Division plans distribution to various States, on the basis of the quantity of the commodity available, the number of persons within the States eligible to receive surplus commodities, and the originating source. The regions in which the particular commodity is suitable for distribution are also considered since obviously surpluses should not be shipped into States suffering from an over-plenty of the same or a similar commodity.

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Commodities Under Agreement Programs Grown in 13 States

Marketing agreement programs now in effect involve 18 different commodities produced by approximately 80,000 growers in 13 States, according to figures compiled by the General Crops Section.

The estimated farm value of these 18 commodities exceeded $126,000,000 in 1935, as compared with $114,000,000 in 1934, and slightly over $92,000,000 in 1933. Commodities affected by marketing agreement programs include a wide range of fruits, vegetables, and nuts. Most of the programs now in effect have been in operation during the last 2 years.

Decisions on Walnut Order Violations Pending in Court

Compliance with the order regulating the handling of walnuts grown in California, Oregon, and Washington is sought in Federal district court at Los Angeles where two applications for injunctions filed by the Federal Government to prevent violation of the order are under consideration.

The proceedings were instituted against Louis Groobman and Henry P. Newman, Inc., California distributors, both of whom are alleged to have violated various provisions of the order. In addition to seeking an injunction against violation of the order, the Federal Government has asked the court to compel the defendants to account to the walnut control board for all shipments of walnuts in interstate commerce and deliver to the board surplus walnuts referable to the shipments of walnuts made by them in interstate commerce since the effective date of the order.

In the Federal district court at Portland, Oreg., Hudson-Duncan & Co. and L. J. Whitaker, Oregon walnut distributors, have asked the court to review a decision of the Secretary of Agriculture overruling petitions filed by them with the Secretary under subsection (15) (A) of section 8c of the Agricultural Adjustment Act, as amended, for exemption from operation of the walnut order in which, among other things, the plaintiffs allege invalidity of the order and the accompanying marketing agreement.

THREE STATES TO AID IN MILK ORDER PLEA

Vermont, New Hampshire, and Maine Join in Supporting Federal Move to Enforce Boston Order

Three States through their Governors have notified the Agricultural Adjustment Administration that they will interplead on behalf of the Federal Government in its efforts to enforce the provisions of the order for handlers of milk in the Boston, Mass., milk market.

This action is to be taken by the States of Maine, New Hampshire, and Vermont on May 4 when a hearing is held in the Federal district court at Boston, on a bill of complaint filed against 28 milk handlers who are alleged to have violated the provisions of the order.

In addition to the three States, three of the major milk producers' cooperatives, supplying more than 75 percent of the milk in the Boston market, have indicated that they too will interplead on behalf of the Federal Government. These cooperatives are the Cabot Farmers Cooperative Creamery of Cabot, Vt.; Milton Cooperative Dairy Corporation of Milton, Vt.; and New England Dairies of Boston, Mass.

The three States and the three producers' cooperatives expect to file briefs with the court in an effort to support the Federal Government's plea for an injunction against the alleged violators of the order.

More than 90 percent of the milk sold in the Boston market comes from outside of Massachusetts. Approximately 60 per cent of this milk comes from Vermont, 13 percent from New Hampshire, and 12 percent from Maine.

Higher Rate of Testing Shown in Bang's Disease Control Work

A continuous increase in the rate of testing cattle in the State-Federal cooperative Bang's disease control program is shown by figures compiled by the Dairy Section.

In the month of March, the last month for which a report is available, there were 31,634 more cattle tested for Bang's disease in the United States than in any previous month since this new Nationwide disease-control program started in July 1934. A steady decline in the percentage of reactors to total tests applied, including retests of both clean and infected herds, is also indicated. When the program first started the percentage of reactors was slightly over 14 percent as compared with 6.1 percent last March. This represents a decline of a little over 8 percent.

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BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

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THREE PROGRAMS DIVERT WEST COAST SURPLUSES

Industry Programs Put Walnuts, Prunes, and Raisins to Other Uses

Three programs for the diversion of surplus agricultural products from the normal channels of trade to other uses under agreements between the Secretary of Agriculture and nonprofit industry groups organized to conduct these programs, are in operation on the Pacific coast.

These programs affect walnuts, prunes, and raisins. Their operation is made possible under the provisions of section 32 of the amendments to the Agricultural Adjustment Act, approved last August. This section makes available an amount equal to 30 percent of the gross receipts from customs duties for uses which include encouraging exports of agricultural products and increasing domestic consumption of these products by diverting them from the normal channels of trade. The programs were inaugurated at the request of the respective industries.

The diversion program for walnuts is supplementary to the marketing agreement and order which regulates the handling of walnuts grown in California, Oregon, and Washington. It seeks to encourage domestic consumption of walnuts through diverting unshelled walnuts from normal channels of trade to the shelling market and also encourage exports under an agreement between the Secretary of Agriculture and the Walnut Control Board, administrative agency of the industry's marketing agreement and order. This diversion program provides for utilization of the surplus tonnage of walnuts in the three States under the marketing agreement and order. Under this agreement and order, the salable tonnage of unshelled walnuts is 70 percent of the total, thus leaving 30 percent as surplus. It is estimated that this surplus for the 1935–36 season will total approximately 263,400 bags.

The program for prunes seeks to divert substandard prunes from normal channels of trade to other uses as a means of improving returns to growers and encouraging exports and domestic consumption. It operates under an agreement between the Secretary of Agriculture and the industry-organized Pacific Prune Products Association. At the beginning of this year, when the program went into effect, there were approximately 20,000 to 25,000 tons of substandard prunes available from the 1934 and 1935 crops.

Under the program, substandard prunes are disposed of for byproduct purposes only. These include diversion to prune concentrate, prune juices, prune butter, and a number of other miscellaneous outlets which are relatively insignificant at the present time, but which may become important outlets for such prunes. Also, substandard prunes may be diverted into alcohol and into the manufacture of mixed livestock feeds. Exports of small quantities of substandard prunes for use in a macerated form which will prevent their eventual sale in the regular channels of trade as packed prunes may be encouraged.

While the programs for walnuts and prunes are in operation, the program for raisins still remains to become effective. The Secretary of Agriculture has tentatively approved the program for diverting substandard grade raisins from normal channels of trade to byproduct uses under an agreement with the industry-organized California Raisin Products Association. This agreement has been submitted to the association for signature. Under the plan, substandard raisins would be diverted into brandy, alcohol, stock feed, or other uses authorized by the Secretary.

Under the diversion programs which operate through agreements between the Secretary of Agriculture and industry-organized groups, purchases of the commodity concerned are made by the industry group on the basis of grades or other requirements established in the agreement and at prices approved by the Secretary. The industry group is authorized to sell its holdings to anyone who contracts to convert the commodity into byproduct or other authorized uses. Under the agreement between the Secretary of Agriculture and the industry group, a payment is made to the industry group equivalent to the difference between the amount which it receives from sales and the cost of the product handled, plus incidental costs connected with their handling. This money is paid from funds made available under section 32.

GOVERNMENTS COOPERATE

(Continued from p. 1)

Having planned the distribution the Distribution Division then obtains from the States orders for that quantity which was allocated to them and ascertains whether the State will be prepared to handle the commodity when it arrives. This is of particular importance when perishables are being handled. The Distribution Division then is ready to furnish the Procurement Division with orders.

Distribution by States

Each State has an organization responsible for the distribution of surplus commodities. In practically every case that organization is the State relief agency, and this agency cooperates with the W. P. A. in sponsoring a commodity distribution project. The W. P. A. supplies the men and materials necessary to carry out the project, and the relief agency sees to it that these men and materials are used to get the commodities from the warehouses to the persons eligible to receive them.

Theoretically, the responsibility of the Corporation ends when commodities are delivered in carload lots to the warehouses designated by State agencies. In practice, however, the distribution of commodities within the States is carefully supervised by the Distribution Division. It is kept informed of the various methods and types of distribution systems used in every State and, when necessary, recommends and assists the States in improving the systems. Also, each State submits a monthly report showing inventories, amount distributed, number of persons receiving each of the different commodities, inventory adjustments, and losses and spoilage. Other reports received from States show the type of distribution system, cost of operating the project broken down so as to show supervisory and labor charges, rentals, trucking, warehousing, packaging, and other items that go to make up the total cost.

States Aided

Upon receipt these reports are compiled in such form by the Distribution Division that any fault in the State distribution system becomes apparent. To further aid in the unearthing of defects in State distribution systems, and in correcting those that have come to light, a field staff of several regional directors of commodity distribution is maintained.

While the main concern is the proper disposition of surplus agricultural commodities donated to the Corporation, the facilities have been made available for the distribution of other products. These are the clothing, bedding, and household furnishings produced first on Federal Emergency Relief Administration projects and now on W. P. A. production projects. During the different times of peak production, the volume of these articles handled has been large, yet the system has always been flexible enough to distribute these articles in the same way that food commodities are distributed and to account for them in the same detail.

St. Louis Order Amended to Lower Milk Price During Spring Months

An amendment to the order for handlers of milk in the St. Louis, Mo., marketing area was issued by the Secretary of Agriculture and became effective April 17.

The amendment reduces the prices of milk in each class by 10 cents per hundredweight, with the exception of that milk which is used in the manufacture of milk sold in hermetically sealed cans. The reduction will be in effect for 90 days following the effective date of the amendment, and for the months of April, May, and June of each year after 1936. The amendment also reduces the size of the St. Louis marketing area which is subject to the order.

AGREEMENT PROGRAMS FOR SPECIALTY CROPS BASED ON ADJUSTING SHIPMENTS TO MARKET

Agricultural Adjustment Act Provides Various Methods Which Growers Use in Overcoming Certain Erratic Market Conditions and Improving Their Returns From Products Sold

Adjustment of shipments to market to improve returns to growers has been the basic principle underlying the marketing agreement programs for fruits, vegetables, and other specialty crops developed under the applicable provisions of the Agricultural Adjustment Act.

Although the individual grower cannot prevent declines in consumer purchasing power, or effect a downward adjustment in freight rates, or reduce the volume of commodities which compete with his produce, he can, in cooperation with other growers and handlers of the same product, adjust the volume of his commodity shipped to market. Through such cooperative action, marked fluctuations in market prices, invariably brought about by irregular shipments, may be avoided. Moreover, shipments to market in excess of the quantity which will return a fair price to the grower may be prevented.

Law Provides Methods

The methods of regulating shipments now provided for in the Agricultural Adjustment Act and applied either separately, or in combination, through marketing-agreement programs now in effect may be classified as follows: (1) Control of the rate of shipment to market by limiting the total volume permitted to be shipped during each specified period, such as a week; (2) limitation of the volume of certain grades and sizes shipped; (3) prohibition of all shipments for short periods, sometimes called "shipping holiday"; and (4) a limitation of the total supply to be marketed during a season. This may be supplemented by diversion into secondary outlets such as byproduct uses or into export market in order to support prices in the primary trade channel.

Variations of these general types have been employed in certain instances.

Control Rate of Shipment

Adjusting shipments on a period-to-period basis has been one of the principal types of supply control included in marketing-agreement programs for fruits and vegetables shipped for fresh consumption. Under this method a maximum volume of shipment is fixed for each period, usually 1 day or 1 week, and prorated among handlers and growers. The California-Arizona orange and grapefruit industry has regulated shipments in this manner continuously since January 1934.

The main purpose of this method of control is to bring about a more orderly movement of supplies to market throughout the entire marketing season. Alternate periods of heavy and light shipments arise from unplanned shipments from a given area or from separated areas marketing the same commodity at the same time. Once prices have been greatly depressed as a result of such erratic supply conditions, immediate recovery in prices is often difficult to achieve even though the supplies be greatly reduced.

Grade and Size Regulation

Provisions for limiting or prohibiting the shipment of inferior grades and sizes of products are a part of a number of the marketing agreement programs now in effect for general crops.

One of the most common objectives of this method has been the prevention of losses resulting from shipping products of a quality or size which sell for less than the cost of harvesting, marketing and transportation. On this basis, the method is particularly suitable to areas marketing only a part of the total supply during a given period. Other objectives have been to improve prices through improving quality, and reducing the total volume shipped by elimination of inferior products so as to benefit from the higher prices and greater total returns on the smaller total volume.

Shipping Holidays

Shipment-control by prohibiting all movement for short periods has been employed by the southeastern watermelon industry and for Bartlett pears under the California deciduous tree fruit agreement. For the latter this regulation is a part of the broader provision providing for control of the rate of shipment to market in that it is intended to delay shipments to certain concentration points from which movement is further regulated on a daily basis. Under the watermelon program the object of the "shipping holiday" is primarily to prevent or reduce large accumulations of cars on track at the terminal markets which so regularly occur as the marketing season progresses, resulting in steadily declining prices.

This method, in order to prove most successful, should receive the cooperation of growers and handlers in order to prevent shipments just preceding and following the "holiday" from being greatly accelerated. The particular merit of this type of shipment control lies primarily in its simplicity of operation and its adaptability to industries for which types of control involving allotments to individual shippers and growers would not be feasible from a practical operating standpoint.

Limit Total Shipments

Another type of shipment-control measure provided for in the Agricultural Adjustment Act and used principally in marketing agreement programs for dried fruits, nuts, and canning crops relates to limiting the season total supply for a given market outlet. In programs such as that for Pacific coast walnuts, supplementary provisions for diverting into alternative uses the volume not permitted to be sold in the primary outlet are an additional and important feature.

Producers of such crops have been less concerned with the short-time fluctuations in supplies and prices, but have been more concerned with the level of prices and total volume of sales throughout the season and with the stocks in dealers' hands at the beginning of a new harvest. These factors have a very direct bearing on the returns which growers receive for the new crop available for sale.

The effectiveness of limiting season total supplies in increasing total returns to growers over what the returns would otherwise be, depends on the nature of the demand for the product in the producers' market. The demand must be such as to result in growers receiving not only higher prices for the limited supply than for the entire crop, but they must receive a greater total sum for the smaller supply. Growers acting independently cannot benefit from the gains to be derived from restricting supplies. However, as a result of the improved bargaining position of growers under an industry program, such benefits become possible. Competition among growers to sell is minimized, and active buying, on the other hand, is stimulated.

Industry-wide Program

It should be recognized that marketing agreements represent a new method of influencing the marketing of agricultural products in this country and for that reason have been in large measure experimental in character. The results of some of the programs, however, indicate that regulation of shipments has a real and significant place in any program aimed at raising and stabilizing income of producers. This is particularly true for specialty crops produced in concentrated areas distant from the principal consuming centers, for which the costs of marketing or processing are a large proportion of the price paid by the consumer.

Experience to date has shown that those programs have proven most successful for industries in which growers have long recognized the benefits from cooperative action.

Washington Vegetable Industry Receives New Agreement Program

A marketing agreement and order for handlers of fresh lettuce, peas, and cauliflower grown in western Washington will become effective May 4.

The program for adjusting shipments of these vegetables to market was developed at the request of handlers and growers representing approximately 90 percent of the industry in the western Washington area. The agreement and order replace the existing marketing agreement program which has been in operation in the area during the last two seasons under a marketing agreement and license.

BANG'S DISEASE TESTING

(Continued from p. 1)

While practically all States have shown some increase in testing, the following States have made material gains within the past 3 months: Illinois, Kansas, Missouri, Minnesota, North Carolina, Oregon, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington, and Wisconsin.

U. S. BUTTER INDUSTRY IS ON DOMESTIC BASIS

Only Small Volume of Butter Exported to Central and South America

[*This is the second of a series of articles on world trade in butter as it relates to butter production and marketing in the United States*]

The United States has never exported a very significant volume of butter relative to domestic production. However, butter has at times been imported, the peak year being 1920–21 when 34,344,000 pounds were imported. Imports of butter during the fiscal year 1934–35 amounted to 22,393,000 pounds.

The United States has no established export trade with major butter-importing countries, most of the exports going to Central and South American countries.

During the war period exports reached a peak of 33,740,000 pounds in 1918–19.

In 1926–27, total exports from the United States amounted to 5,048,000 pounds. Since 1926–27, exports have declined steadily, and amounted only 761,000 pounds in 1934–35.

In 1926–27, Mexico, Cuba, and Panama were the largest importers of American butter, these countries taking 17 percent, 14.5 percent, and 11.5 percent, respectively, of the total exports in that year. In 1934–35, Mexico, Cuba, and Panama took 22.5 percent, 0.3 percent, and 8.4 percent, respectively, of the total exports, and the Philippines and Haiti took 12.7 percent and 9.9 percent, respectively.

Exports from the United States to the United Kingdom and Germany, which are the important butter-importing countries, have been negligible in recent years.

In considering whether exports to the South and Central American areas could be expanded, it is to be noted that present exports are largely for the demand of American and European citizens residing in these countries, rather than for the native population. Therefore, the market for butter in these countries is limited, unless prices were lowered to a point where they would supplant the use of tropical oils among the native population.

Order Replaces License for Milk Handlers in Fall River Market

An order for handlers of milk in the Fall River, Mass., marketing area became effective May 1 and replaced a program which has been in effect under a license in that area during the last 2 years. Issuance of the order by the Secretary of Agriculture was favored by more than 85 percent of the producers of milk for that market.

Principal provisions of the order govern the classification of milk, prices which handlers are required to pay producers, and establishment of a marketwide pool for the equitable distribution of returns to producers. As in the case of the license which was suspended at the time the order became effective, the order will be administered by a market administrator.

The minimum price which handlers are to pay producers for class 1 milk is tablished in the order at $3.35 per hundredweight delivered at the handler's plant within the market area. In the case of class 1 milk bought by the city of Fall River for its charity hospital cases and relief clients, the price is established at $2.65¼ per hundredweight for this milk delivered at a handler's plant within the marketing area.

The minimum price for class 2 milk is to be determined through a formula, and is based on the value of bottling cream in the Boston market.

PEAR GROUP SUGGESTS PROGRAM FOR INDUSTRY

Plan Offered Seeks to Encourage Expansion of Markets for West Coast Pears

A suggested program which seeks to encourage expansion of markets for the fall and winter pear industry has been submitted by the Pear Growers' Protective League of California for consideration by the Agricultural Adjustment Administration.

The plan suggested by the league seeks a benefit payment of 50 cents per box on fall and winter pears exported to foreign countries, other than those of the United Kingdom and Continental Europe, and an indemnity payment for losses incurred in directing surplus pears from the normal channels of trade into byproduct uses such as pear concentrates and pear brandy. Indemnity payments are also sought for the diversion of pears from the normal domestic channels of trade into new domestic markets.

The program, as proposed by the league, contemplates an agreement between the Secretary of Agriculture and a corporation to be created by the industry to administer the plan. It also provides for uniform agreements between the corporation and handlers and growers of pears.

Representatives of the industry suggested that the approval of growers producing not less than 90 percent of the production of fall and winter pears grown in California should be obtained before the proposed program is put into operation.

Operation of such a program would come under the provisions of section 32 of the amendments to the Agricultural Adjustment Act approved last August. Under the provisions of this section, there is made available an amount equal to 30 percent of the gross receipts from customs duties which may be used in encouraging exports of agricultural products and increasing domestic consumption of these products by diverting them from the normal channels of trade.

The membership of the Pear Growers' Protective League which suggested the program comprises growers of a large percentage of the fall and winter pears grown in California.

The committee which presented the plan to the Agricultural Adjustment Administration has returned to California with an outline of the tentative plan which it will submit to the industry for further consideration.

While the program was prepared by the fall and winter pear industry of California, the desirability of its operation as a coastwise program is involved since a substantial proportion of the production of winter pears is confined to the three Pacific Coast States of California, Oregon, and Washington.

PECAN SALES ABROAD WILL BE ENCOURAGED

Limited Quantities of Pecans To Be Exported Under Plan to Relieve Surplus

Exports of a limited quantity of pecans are to be encouraged under a program developed at the request of growers to meet an acute surplus situation in that industry. Under the plan, the Secretary of Agriculture will invite exporters of pecans to submit offers to sell for export, between the date on which each offer is accepted and June 30, 1936, pecans of the 1935 crop produced in the United States which are not below the medium size and no. 2 quality specified in the United States standards for unshelled pecans.

Each exporter is to agree to export at least 1,000 pounds of pecans and specify the maximum volume that he expects to export. The Secretary of Agriculture will determine the total quantity to be exported on the basis of the effect these exports would have in improving returns to growers. Exporters are to be paid an export benefit of 5 cents per pound on the pecans sold abroad under the terms of the offer as accepted by the Secretary. The pecans will have to be exported prior to October 1, 1936.

The program was developed at the request of the National Pecan Marketing Association, a growers' cooperative, and other groups of producers in the industry. The circumstances which caused the industry to request this program are unusual since the 1935 United States production of both pecans and walnuts, competitive crops, was the largest in history. The problem in the walnut industry is being handled through a marketing-agreement program and a program for diverting surplus walnuts to other uses. The 1935 crop of pecans, the heaviest on record, represents an increase of 64 percent of average annual production during the preceding 10 years, and an increase of 136 percent over the 1934 crop. Returns to growers have been extremely low.

Export markets are said to indicate a promising outlet for pecans since they are not commercially produced in any foreign country except in Mexico, where production is confined to the seedling type.

The program is designed to reduce the effect of the present surplus on the 1936 crop of pecans. It seeks to assist the industry in developing foreign outlets that will be needed for the indicated larger production in the future. Removal of a portion of the existing surplus from domestic markets is expected to strengthen domestic prices and increase returns to growers.

U. S. GOVERNMENT PRINTING OFFICE: 1936